

## Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 HA-05 TRSY-02 IO-13 DOE-15

SOE-02 EB-08 INT-05 CIAE-00 DODE-00 PM-05 H-01

INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15

ICA-11 /123 W

-----092326 232105Z /73

R 232015Z MAY 78

FM AMEMBASSY ASUNCION

TO SECSTATE WASHDC PRIORITY 3104

C O N F I D E N T I A L ASUNCION 2079

E.O. 11652: GDS

TAGS: EAID, ENRG, SHUM, PA

SUBJECT: AID PROGRAMS IN PARAGUAY

1. HUMAN RIGHTS CONSIDERATIONS HAVE KEPT THE AID PROGRAM AT A STANDSTILL IN PARAGUAY FOR OVER A YEAR. STEADY PRESSURE FROM MANY QUARTERS IS ALTERING THE GOP'S HUMAN RIGHTS PRACTICES SIGNIFICANTLY. WHILE ABUSES CONTINUE, AND PARAGUAY IS FAR FROM A MODEL COUNTRY IN HUMAN RIGHTS TERMS, IT IS MY CONTENTION THAT THESE CONSIDERATIONS ARE ABOUT TO DIMINISH TO THE POINT THAT THEY WILL NO LONGER BE A PROBLEM.

ASSUMING FOR THE SAKE OF DISCUSSION THAT THIS IS SO, IT FORCES US TO FACE A NEW ISSUE: HOW TO JUSTIFY AN AID PROGRAM TO A COUNTRY WHOSE PER CAPITA INCOME WILL EXCEED \$800 THIS YEAR, WHOSE GOVERNMENT IS HOLDING FOREIGN EXCHANGE RESERVES OF \$280 MILLION, ENOUGH TO COVER A YEAR OF IMPORTS AND WHICH, DESPITE GROWING NATIONAL WEALTH AND PRIVATE INCOME, IS MAKING WOEFULLY INADEQUATE EFFORTS TO TAX NEW FORTUNES OR TO PROMOTE A MORE EQUITABLE DISTRIBUTION OF INCOME.

2. OUR CURRENT AND PROJECTED AID PROGRAM FOR PARAGUAY IS AIMED AT HELPING THE RURAL POOR. WHILE THE GOP LACKS THE TECHNOLOGICAL CAPABILITY TO DESIGN AND FULLY CARRY THROUGH MANY OF THESE  
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AID SUPPORTED PROJECTS, IT WILL SOON HAVE THE FINANCIAL CAPABILITY TO FUND MOST PROJECTS ITSELF. BUT CLEARLY, THE GOP'S PRIORITIES ARE NOT AID'S PRIORITIES. WHEN THE U.S. OR OTHER OUTSIDE DONORS PRODUCE IT, THE GOP WILL DEMONSTRATE SOME INTEREST IN PROGRAMS THAT AID THE POOR OR THAT PROMISE TO BRING ABOUT A MORE EQUITABLE DISTRIBUTION OF PARAGUAY'S RAPIDLY GROWING NATIONAL INCOME. BUT LOOKING AT WHERE THIS GOVERNMENT PUTS ITS NEW RESOURCES,

IN INFRASTRUCTURE AND EDUCATION, IT SEEMS OBVIOUS THAT ITS  
PRIMARY INTEREST IS NOT IN AIDING THE POOREST SECTORS FIRST  
BUT IN LAYING THE GROUND WORK FOR LATER GROWTH.

3. SPARKED BY THE INFLOW OF MONEY FROM THE GIGANTIC ITAIPU  
HYDROELECTRIC PROJECT, PARAGUAY HAS ENJOYED AN ECONOMIC BOOM  
SINCE 1976. DIRECTLY AND INDIRECTLY, ITAIPU GENERATES SOME \$40  
MILLION IN INCOME PER MONTH FOR PARAGUAY. CONSTRUCTION EXPEND-  
ITURES WILL PEAK IN 1979, BUT THE GOP HOPES THAT THE VAST NEW  
PARAGUAY-ARGENTINA HYDRO PROJECT AT YACYRETA WILL TAKE UP THE  
SLACK AND KEEP THE BOOM GOING. THEREAFTER, A GREAT DEAL WILL  
DEPEND ON HOW PARAGUAY USES ITS OWN MASSIVE SHARE OF THE  
ELECTRICITY OUTPUT THAT BECOMES AVAILABLE FOR ITS DEVELOP-  
MENT. ALMOST CERTAINLY, OVER THE NEXT FIVE YEARS WE CAN EXPECT  
TO SEE CONTINUED STRONG GROWTH IN PARAGUAY'S NATIONAL INCOME.

4. WE ALL NEED TO FACE SQUARELY WHETHER OUR AID PROGRAM IN  
PARAGUAY CONFORMS TO THE CONGRESSIONAL MANDATE ON FOREIGN ASSIST-  
ANCE AND THE RESULTING POLICY DECISIONS OF AID/WASHINGTON.  
I WANT TO DISCUSS THIS QUESTION WITH STATE AND AID OFFICIALS  
DURING MY CONSULTATIONS IN WASHINGTON.

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## Message Attributes

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**Channel Indicators:** n/a  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014